

India's Marie Antoinette Moment

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Narendra Modi's promotion of a "cashless society" shows the government's disconnect from ground realities, and harks back to Marie Antoinette's famous "let them eat cake" response to learning that peasants had no bread to eat. Clearly, a cashless or less-cash economy will not be achievable in the near future, and may also not be desirable.

Amid tales of mass misery and deaths due to cash crunch caused by demonetisation, Narendra Modi asked people to go for digital transactions and overtook Marie Antoinette, who had asked people suffering due to widespread bread shortages, to eat cake. Historians are not certain whether the queen ever said that, but the entire nation has witnessed Modi's high-pitched exhortations to have cashless digital transactions. Marie, with her royal lineage, said it in feudal France three centuries ago. Modi claiming to come from a humble family of *chaiwala*, with his mother working as a maid servant in others' houses says it in the democratic republic of India in 2016!

The drama of the war against black money, terrorism and counterfeit currency through demonetising the ₹500 and ₹1,000 notes has completely exposed the political unscrupulousness of the Bharatiya Janata Party (BJP) and the narcissist haughtiness of Modi. Far from catching those with black money, demonetisation opened new avenues of making black money. The anger over the untold sufferings it unleashed on the already distressed rural population has not flowed onto streets as even the Supreme Court apprehended, but may show its results in the coming elections. The new ploy of promoting digital transactions is nothing short of rubbing salt on the wounds of millions of the working class. The BJP is blissfully complacent with its victory in civic polls in five states that took place after demonetisation was announced. It took it as an approval of demonetisation by the people, and thankfully appears ready to repeat such blunders at its own peril.

Cashless Fantasy

Modi has mesmerised people with his theatrical skills and gift of the gab, giving them many slogans like "digital India," "make in India," "start-up India," "swachh Bharat," "sabka saath, sabka vikas," etc,

but halfway through his tenure, could not deliver on any of his promises. The cashless economy is the most fantastic of these slogans that he has come up with just to distract public attention from the catastrophic affects of demonetisation. When he announced his decision on 8 November 2016, he had mentioned "black money" 18 times in his speech and did not talk even once about cashless or digital economy. After 20 days when his bravado could not contain the disastrous consequences of the decision and there was mounting criticism of this inept act, he swiftly changed the goal-post and began talking about "cashless" and/or "digital" economy. This term occurred 24 times in his *Mann ki Baat* on 27 November, when he first mentioned it whereas black money occurred only nine times. The queues in front of banks and ATMs had not yet ended but the discourse was successfully diverted towards cashless transactions. In the face of the horrific empirical reality even the *sarkari* intellectuals felt embarrassed to speak with conviction in favour of demonetisation, but most of them were comfortable speaking in favour of cashless economy. The spurt in the use of digital wallets post demonetisation emboldened them to project that India was already ready for the "cultural revolution" as M Venkaiah Naidu claimed.

Can India really be a cashless, or even as Modi corrected himself later, less-cash economy in the near future? As of now there is no definition of any of these terms and they only connote relative standing of economy in terms of the usage of physical cash. For instance, the MasterCard report on *Measuring Progress toward a Cashless Society* (Thomas 2013) categorised countries into four classes: inception (where cash accounts for 90% or more of all consumer transactions), transitioning (where cash transactions account for 80%–90% of consumer payments), tipping point (where cash transactions account for 55%–71% of consumer payments) and advanced (where nearly everyone has at least a debit card and merchant acceptance is nearly ubiquitous). According to this report, India is placed in inception category at only 2%

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of consumer payment transactions done using non-cash methods as compared to the advanced category cases of Singapore (61%), Netherlands (60%), France (59%) and Sweden (59%). The report presented a trajectory score (growth during the previous five years) of cashless transactions for the subject countries. As against Singapore (39%), Netherlands (20%), France (14%), Canada (16%), India's score was 11%, far behind some of the members in its category such as UAE (65%), South Africa (53%), Kenya (51%), and even Nigeria (12%). The report listed prerequisites for going cashless and estimated readiness score for various countries. Sweden was at the top at 89, Singapore at 80, Netherlands 88, France 74 and India just 29, behind even Kenya (30), Thailand (48), and Malaysia (56). It should be clear that India is not ready to go anywhere near cashlessness at least during Modi's tenure.

Daydreaming Digital

Digital money may be desirable but its proliferation presupposes financial inclusion of all people. In addition, there are macroeconomic and cultural factors, besides issues relating to merchant acceptance and development of the technological infrastructure. Towards financial inclusion, the government has made some progress by opening 256 million bank accounts for the poor. Many of them under the Prime Minister's celebrated Jan-Dhan Yojana. However, a quarter of them remain zero-balance non-operative accounts, and therefore a burden on the banking system. With regard to accessibility of financial services, there are about two lakh bank branches for a total of 6.5 lakh villages; two lakh plus ATMs, mostly in cities, most of which are still running on outdated operating systems. Thus, a large population of the country still does not have access to financial services. Even if the services reach out to all people, a majority will still be excluded simply because they do not have money. The National Council of Applied Economic Research and the University of Maryland's income-based survey (2011–12) established that for the lowest percentile of population, consumption is about twice the income, and everybody up to the 33rd percentile consumed more than their income. Are these people expected to transact digitally?

The spread of mobile telephony is flaunted as the platform to leapfrog into the digital space. The latest figures from the Telecom Regulatory Authority of India show that, as of 31 July 2016, India had a teledensity of 83%. This may, however, need correction because it is based on the number of connections and not users. Many people use multiple SIM cards, and therefore the actual number of users should be scaled down significantly. There are about 350 million internet connections of which about half are on broadband (3G + 4G + wireline broadband). For the top-four telecom operators, the number of mobile connections (smartphones) that are data enabled is just about 30%. There are a total of six crore debit cards and 2.5 crore credit cards. This is not the infrastructure for 1.3 billion people to go cashless. The security infrastructure required for digital transaction is still not up to the mark, which does not induce confidence even in educated people to transact online. Today, 95% of all transactions take place in cash and only 4% people do online shopping, most of which with cash on delivery. With 90% of India's workforce in the informal sector that runs on cash, Modi-speak makes for a pure daydream.

Aata or Data

There are apparent advantages of digital money over paper currency but to assume that everything is fine with it will be grossly erroneous. Paper currency runs a risk of being counterfeited, but then digital money is not free either. Taking current commissions being charged by the payment platforms, the cost of digital transactions could run into thousands of crores of rupees. A currency note costs money to produce and there are logistical expenses in its circulation, but it copes with 1,00,000 transactions on an average. If its cost is spread over these transactions, the per-transaction cost is almost zero. Contrast it with the cost of digital transaction either by credit/debit cards or e-wallets. They charge anywhere between 1% and 4% of transaction value. As the user base widens these unit costs are expected to come down but not completely vanish because their issuers' business model is premised on that revenue stream. The use of digital money,

moreover, is vulnerable to various security risks. In course of time, like costs, the risk associated with digital money may also come down but it can never be risk-free. Eventually, these risks and costs shall be borne only by common people.

Basically, digital or physical, it is a question of money which majority of people simply do not have. Digital money may suit Modi to score political mileage, hyping it as development, but it should be understood that there is no essential difference between physical and digital money, insofar as they both constitute a liability for the issuer and operates as a transferable claim in transaction mode. Digital currency tends to increase velocity of money and become virtual. Virtual money is just a digital representation of value, which is issued and usually controlled by its developers. If digital money is transacted person-to-person (P2P) and used in the real world for physical goods and services, it remains digital but if it is used only for virtual world purchases in closed loop systems, then it turns virtual. The intrinsic tendency of digital money to become virtual is hugely speculative.

Then why is Modi after a cashless economy? Cashless economy makes it difficult for many in informal economy to escape the tax net and significantly adds to the indirect taxes when the goods and services tax is implemented. The government will now have complete control over people because they can now be profiled with their transaction data and targeted for effective surveillance. It directly benefits digital wallet companies like Paytm and others. The space has already attracted many players, but in the long run, the winners would be those platform-gateway companies which also sell data. Reliance can surely be named because its Jio strategy catapults it to be the lord of the digital world. The vast majority however will be forced to buy data over *aata* (ration).

Marie Antoinette's impudence led to the French Revolution, to the overthrow of the monarchy, and to her being guillotined.

REFERENCE

Thomas, Hugh (2013): *Measuring Progress toward a Cashless Society*, MasterCard Advisors, <http://www.mastercardadvisors.com/assets/pdf/MasterCardAdvisors-CashlessSociety.pdf>.